

News

in brief

Kuwait oil price drops to \$32.74 pb

KUWAIT: Kuwait oil price dropped 83 cents to \$32.74 per barrel on Monday compared to \$33.29 pb in Friday's trades, Kuwait Petroleum Corporation (KPC) said yesterday. Oil prices on the international markets fell by three percent on Monday against backdrop of American reserves' rise and Iran's negligence of major producers' freezing of output at January's level. Meanwhile, the Brent Blend declined upon settlement by 86 cents reaching 39.53 pb. American crude oil also decreased by \$1.32 settling at \$37.18 pb.

Dubai airport's January passenger traffic up 6.3%

DUBAI: Passenger traffic through Dubai International Airport, the world's busiest airport for international business, rose 6.3 percent from a year earlier to a record 7.33 million people in January, the airport's operator said yesterday. The airport opened a new concourse last month, projecting this would help boost traffic to 85 million passengers in 2016, up from 78 million last year. Dubai International handled 201,483 tons of cargo in January, up 8.2 percent from a year earlier. Only part of Dubai's cargo traffic goes through Dubai International; another facility, Dubai World Central, handles pure cargo operations.

Iraq bought 30,000 tons of rice in tender from Argentina

HAMBURG: Iraq's state grains buyer purchased 30,000 tons of rice to be sourced from Argentina in a tender this week, European traders said yesterday. The price was \$468 a ton c&f free out, they said. Argentine rice had been offered lowest in the tender, which closed on March 8 with offers having to remain valid until Monday, March 14. The tender had sought a nominal 30,000 tons sourced optionally only from United States, Uruguay or Argentina for March/April shipment. "I think a new tender will be issued soon as I believe Iraq has a requirement at least for a further 90,000 tons of rice after their low level of recent purchases," one European trader said.

Egypt CB to hold pound steady at 8.85 per dollar

CAIRO: Egypt's central bank will hold the pound steady at 8.85 pounds per dollar at an exceptional foreign currency auction yesterday, three banking sources told Reuters, a day after the bank devalued the currency. Egypt, which relies heavily on imports, has been facing an acute foreign currency shortage since a 2011 uprising drove away tourists and foreign investors - two major sources of hard currency. Its reserves have tumbled to \$16.6 billion as of February from \$36 billion in 2011. The central bank said earlier yesterday it would sell \$200 million at an exceptional auction to finance the import of essential goods. The pound had been under heavy pressure in recent weeks, weakening to almost 10 to the dollar on the black market as foreign currency liquidity dried up in the banking sector. The central bank has taken various steps this month to divert liquidity back into banks. Central Bank Governor Tarek Amer, who took over in November, had taken several steps to restore confidence in the pound and make it more attractive to investors before devaluing it and adopting a more flexible approach.

DOHA BANK NOT TO BID IN QATAR T-BILL AUCTION

DOHA: The chief executive of Doha Bank said yesterday his bank would not bid in a Treasury bill auction which the central bank might hold next month because higher yields were available.

"As far as I'm concerned, I'm not opting for it at this point," R. Seetharaman told reporters on the sidelines of a financial conference. "Unless I have additional liquidity, why should I bid? I have better yields than others. Banks who have excess liquidity can pocket these kind of instruments. As far as I'm concerned, I'm not opting for it at this point." The central bank has cancelled its monthly T-bill auction in the last several months because banks were demanding high yields; liquidity in the banking system has tightened since mid-2015 as lower oil and gas prices have cut flows of new money into the economy.

The three-month Qatar interbank offered rate jumped to 1.46 percent in mid-February from 1.13 percent at the end of last June, though it has since fallen back slightly from its high. —Reuters



Raghu makes his presentation before the representatives.

GCC NEEDS \$151BN WORTH OF FINANCING NEEDS: MARKAZ

BONDS EXPECTED TO COVER 38% OF NEEDS: RAGHU

KUWAIT: Kuwait Financial Centre "Markaz" recently held a presentation on "Forecasting Sovereign Debt Issuances in GCC" in collaboration with Kuwait Banking Association (KBA). The presentation was delivered by M R Raghu, Head of Research at Markaz and Managing Director of Marmore MENA Intelligence, a research subsidiary of Markaz providing services of financial research and analysis of MENA economies, markets, and companies in the MENA region.

On an overall basis for 2016, Raghu stated that the financing need for GCC countries to be at \$151.3bn of which \$78.1bn is expected to come from reserves (52 percent), \$57.7bn from domestic & international bond issuances (38 percent) and the rest through loans (10 percent). Overall, GCC governments are expected to raise between \$385-390bn cumulatively through 2020 through local and international bonds.

Raghu said that the low oil prices has altered the fiscal landscape of GCC countries as the prized fiscal surplus registered in erstwhile years has flipped into large scale deficits to the tune of \$160bn in 2015 and 2016 respectively. In 2015, the deficit was partly met by domestic bond issuances and the remaining by liquidating reserves held in Sovereign Wealth Funds (SWFs). Saudi Arabia for the first time in 8 years issued local debt to raise approx. \$26bn from domestic banks and utilized almost \$100bn of its reserves.

Raghu outlined that the impact of lower oil revenues has visibly impacted the Kuwaiti banks' deposit mobilization process, as government deposits account for sizeable portion. Fall in deposits growth coupled with governments drawing down on their savings and placement of domestic bonds by the governments with the local banks has usurped liquidity in the regional financial system causing interbank rates to rise. Though, the banks are well capitalized, they may not be able to act as the sole source of funding avenue for the governments. Rising debt levels for the GCC governments and uncertain outlook regarding oil prices, which determines the debt servicing capabilities, has led to higher cost of insurance for insuring government debt as evidenced by the widening spreads for Credit Default Swaps (CDS).

While UAE, Kuwait Saudi Arabia and Qatar boast of robust fiscal reserves, Bahrain and Oman have minimal reserves by comparison. The sovereign ratings of Bahrain, Oman and Saudi Arabia have been downgraded in the recent weeks. Further, lack of clarity regarding debt man-

agement policies of few GCC countries has caused wide spread speculation regarding the way the deficit could be financed. This uncertainty has resulted in fixed income investors demanding wider spreads for outstanding issues in GCC region. To forecast the sovereign debt issuance we have assumed assumptions regarding the way the deficit would be financed either by drawing down on the reserves or through raising debt. While Qatar and Oman have clearly provided indications regarding their approach to plug the deficit, Saudi Arabia and Bahrain budgetary documents fall short of such discussion.

Apart from forecasting debt issuance through budgetary estimates, debt issuance till 2020 is estimated through IMF projections of fiscal deficit. Due to lack of clarity on the debt levels that would be taken up by the GCC government, based on historical data and our analysis we expect 40 percent to 60 percent of deficits in the years 2017 to 2020 to be financed by new debt issuance.

Based on our analysis, the new debt issuances by the GCC government could usher in a new era for GCC fixed

income markets. The challenging environment posed by lower oil prices should be converted into an opportunity to develop the domestic debt markets.

In this regard, establishment of debt management office and regulatory framework to clearly communicate to the markets is necessary. Though domestic debt issuance allows for easier and faster way to raise capital at lower credit spreads, it could usurp liquidity and 'crowd out' borrowing space for private borrowers. On the other hand, jumbo issuances are possible in international issuances while it increases the vulnerability due to increased exposure to foreign debt.

Having said that, we feel that the GCC fixed income offers higher risk-return attributes than the developing and emerging markets. Lower correlation with other asset classes including equities argues favorably for their inclusion in an investor portfolio. The fact that all the currencies are pegged provides comfort to the investor as it helps avoid currency risk. However, geopolitical risks and uncertainty regarding oil price could affect the bond performance.

OIL PRICES EDGE LOWER OVER UNCERTAIN SUPPLY PICTURE

LONDON: Oil prices fell for a second day yesterday, as concerns emerged that a six-week rally may have fizzled after OPEC doused hopes for a speedy erosion of a global overhang of unwanted crude.

The Organization of the Petroleum Exporting Countries said on Monday demand for its crude would be less than previously thought in 2016 as supply from rivals proves more resilient to low prices, increasing excess supply in the market. To tackle the surplus, Saudi Arabia and non-OPEC member Russia, the world's two largest oil exporters, along with Qatar and Venezuela have proposed major producers freeze output at January levels. Even with the proposed freeze,

continuously high production means global output still exceeds demand by at least 1 million barrels per day (bpd). "We ran into \$40 a barrel ... the idea OPEC was going to be able to at least freeze production and was along the right tracks has unravelled a bit," CMC Markets strategist Jasper Lawler said.

Brent crude futures were down 92 cents at \$38.61 a barrel by 1210 GMT, while US crude futures were 83 cents lower at \$36.35. While Russian and Saudi production remains stable, analysts say Iran has trebled its output to around 3.1 million bpd, from close to 1 million bpd in January.

Oil demand could also slow. Morgan Stanley said there was a 30

percent probability of a global recession this year. In spite of uncertainty about whether a production freeze will occur, and over its effectiveness given concerns about the global economy, investors have turned more friendly towards oil. Speculators have added to their bets on a sustained rise in crude futures and the ratio of bullish bets to bearish in the Brent market has risen to its highest since last May, consultancy JBC Energy said.

"I'd be very surprised if we just tanked down here and made fresh lows below \$27 and the impression I get is I'm not the only one. Futures sentiment ... and futures positioning has switched around and is looking a lot more bullish," CMC's Lawler said. — Reuters

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES	
Japanese Yen	2.652
Indian Rupees	4.504
Pakistani Rupees	2.882
Sri Lankan Rupees	2.081
Nepali Rupees	2.822
Singapore Dollar	219.810
Hongkong Dollar	38.887
Bangladesh Taka	3.848
Philippine Peso	6.462
Thai Baht	8.604
GCC COUNTRIES	
Saudi Riyal	80.523
Qatari Riyal	82.946
Omani Riyal	784.304
Bahraini Dinar	801.910
UAE Dirham	82.212
ARAB COUNTRIES	
Egyptian Pound - Cash	35.500
Egyptian Pound - Transfer	38.461
Yemen Riyal/for 1000	1.409
Tunisian Dinar	150.000
Jordanian Dinar	425.580
Lebanese Lira/for 1000	2.012
Syrian Lira	2.152
Morocco Dirham	31.275
EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	301.800
Euro	336.810
Sterling Pound	432.480
Canadian dollar	228.290
Turkish lira	105.520
Swiss Franc	307.490
Australian Dollar	227.710
US Dollar Buying	300.600

GOLD

20 Gram	253.510
10 Gram	129.510
5 Gram	65.600

UAE EXCHANGE CENTRE WLL

CURRENCIES	TELEX TRANSFER PER 1000
Australian Dollar	201.91
Canadian Dollar	219.82
Swiss Franc	306.95
Euro	336.85
US Dollar	299.90
Sterling Pound	431.04
Japanese Yen	2.67
Bangladesh Taka	3.817
Indian Rupee	4.375
Sri Lankan Rupee	2.083
Nepali Rupee	2.732
Pakistani Rupee	2.860
UAE Dirhams	0.08161
Bahraini Dinar	0.7970
Egyptian Pound	0.03819
Jordanian Dinar	0.4265
Omani Riyal	0.7788
Qatari Riyal	0.08269
Saudi Riyal	0.07994

DOLLARCO EXCHANGE CO. LTD

Rate for Transfer	Selling Rate
US Dollar	302.050
Canadian Dollar	229.115
Sterling Pound	432.050
Euro	336.620
Swiss Franc	299.080
Bahrain Dinar	799.075
UAE Dirhams	82.480
Qatari Riyals	83.690

Saudi Riyals	81.225
Jordanian Dinar	425.495
Egyptian Pound	33.652
Sri Lankan Rupees	2.084
Indian Rupees	4.489
Pakistani Rupees	2.879
Bangladesh Taka	3.842
Philippines Peso	6.458
Cyprus pound	575.305
Japanese Yen	3.655
Syrian Pound	2.370
Nepalese Rupees	3.800
Malaysian Ringgit	74.070
Chinese Yuan Renminbi	46.745
Thai Bhat	9.575
Turkish Lira	105.395

BAHRAIN EXCHANGE COMPANY

COUNTRY	SELL CASH Europe	SELLDRAFT
British Pound	0.423609	0.432609
Czech Korune	0.016361	0.016361
Danish Krone	0.040846	0.045846
Euro	0.329522	0.337522
Norwegian Krone	0.031508	0.036708
Romanian Leu	0.074906	0.074906
Slovakia	0.008979	0.018979
Swedish Krona	0.032060	0.037060
Swiss Franc	0.299035	0.309235
Turkish Lira	0.099480	0.109780
	Australasia	America
Australian Dollar	0.217554	0.229054
New Zealand Dollar	0.194502	0.204002
Canadian Dollar	0.221493	0.229993
US Dollars	0.297700	0.302200

US Dollars Mint	0.298200	0.302200
	Asia	
Bangladesh Taka	0.003429	0.004003
Chinese Yuan	0.044966	0.048466
Hong Kong Dollar	0.036798	0.039548
Indian Rupee	0.004292	0.004682
Indonesian Rupiah	0.000019	0.000025
Japanese Yen	0.002576	0.002756
Kenyan Shilling	0.002967	0.002967
Korean Won	0.000244	0.000259
Malaysian Ringgit	0.069619	0.075619
Nepalese Rupee	0.002861	0.003031
Pakistan Rupee	0.002706	0.002986
Philippine Peso	0.006387	0.006667
Sierra Leone	0.000071	0.000077
Singapore Dollar	0.215632	0.221632
South African Rand	0.013391	0.021891
Sri Lankan Rupee	0.001706	0.002286
Taiwan	0.009080	0.009260
Thai Baht	0.008279	0.008829
	Arab	
Bahraini Dinar	0.793856	0.801856
Egyptian Pound	0.032282	0.036618
Iranian Riyal	0.000084	0.000085
Iraqi Dinar	0.000194	0.000254
Jordanian Dinar	0.421659	0.429159
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000150	0.000250
Moroccan Dirhams	0.020551	0.044551
Nigerian Naira	0.001243	0.001878
Omani Riyal	0.777476	0.783156
Qatar Riyal	0.082186	0.083399
Saudi Riyal	0.079593	0.080543
Syrian Pound	0.001279	0.001499
Tunisian Dinar	0.146307	0.154307
Turkish Lira	0.099480	0.109780
UAE Dirhams	0.081188	0.082337
Yemeni Riyal	0.001364	0.001444